



Technical Trade Report

Updates on Key Trade Policy Issues Affecting APHIS

October 1996

*** Special Focus: APHIS' and the Asia-Pacific Economic Cooperation (APEC)***

CONTENTS

- **Introduction**
- **Background: APEC History and Structure**
- **APEC Activities in the SPS Area**
- **Snapshot of U.S.-Pacific Rim Agricultural Trade**
- **APHIS' Pacific-Rim Trade Strategy**
- **Annex: List of Key APHIS Contacts**

Technical Trade Report is on the Trade Support Team Home Page
<<http://www.aphis.usda.gov/is.tst>>

Introduction

In 1989, the United States joined 11 other economies from the Asia-Pacific region in a trade initiative known as Asia Pacific Economic Cooperation (APEC). Today, APEC consists of 18 countries and continues to be dedicated to the goal of strengthening trade relations and economic cooperation among the member countries.

In 1994, APEC members committed themselves to a vision of free trade and investment by 2010 for the advanced economies and 2020 for the lesser developed ones. From an agricultural trade standpoint, U.S. interest in participating in APEC is driven by the view that incomes in the Asia-Pacific region will continue to grow, thereby increasing demand for U.S. agricultural products, particularly high value commodities such as fruits, vegetables, meats, and other processed foods.

The significance of trade with this part of the world is already clear. In FY 1995, approximately 61 percent of U.S. agricultural exports went to APEC member countries. A USDA study estimates that SPS barriers in the Asia-Pacific region are currently threatening or constraining about \$1.27 billion worth of U.S. agricultural trade. Most of these SPS restrictions are in the phytosanitary area, affecting U.S. trade in plant-related commodities.

However, it is not enough to assume that current competitive advantages will ensure the maintenance and/or expansion of U.S. agricultural trade. New trade barriers, some justified and others not, will continue to emerge. Given the importance of Asia-Pacific trade to the future of U.S. agriculture and the general proliferation of technical trade barriers, including unjustified sanitary and phytosanitary (SPS) measures, APHIS sees a strong need to be actively engaged in the region.

To this end, APHIS will continue to strengthen its relationships in the region with the view of promoting the use of WTO SPS rules and enhancing other linkages to ensure a stable and predictable trade environment for U.S. agricultural trade. APHIS' active engagement in APEC activities and relationship building with regulatory counterparts in the Pacific Rim region could be a valuable means for resolving SPS issues at the technical level as well as influencing the development of international standards (i.e., International Office of Epizootics (OIE) and International Plant Protection Convention standards (IPPC)).

Background: APEC History and Structure

APEC was established in 1989 to promote cooperation in trade and other economic issues. At that time there were 12 members. Today, there are 18 participating countries ("economies") which meet regularly to discuss cooperation in a number of areas, including trade liberalization, technology transfer, investment, energy, and other topics of mutual interest. APEC members include: Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua-New Guinea, Philippines, Singapore, Chinese Taipei (Taiwan), Thailand, and the United States.

The United States is not the only non-Asian country participating in this regional initiative. Other countries from the Americas also involved in APEC include Canada, Chile, and Mexico. Hence, the APEC binds two major trading blocks--East Asia and North America.

It was not until the 1993 Leaders Meeting (i.e., heads of State) in Seattle that APEC was given a vision that

included continued reductions in trade and investment barriers, and not until 1994 in Bogor, Indonesia that APEC agreed to set target dates of 2010/2020 for full liberalization. The declaration gives the lesser developed economies until 2020 to reach the trade and investment liberalization goals. No sector is excluded from this free trade vision.

Structure

Since 1989 APEC has evolved into a formal institution with a permanent secretariat located in Singapore. APEC is governed by the Ministerial meeting (includes the Foreign Ministers and Trade Ministers of each member economy). This Ministerial level group assigns tasks and responsibilities to a group of senior officials (1 from each economy) who convene four times a year. These meetings are known as the Senior Officials Meeting (SOM). In addition to the SOM, there are annual summit meetings (known as "Leaders Meetings") which involve the presidents or leaders of the APEC economies.

The APEC framework includes two committees and 10 working groups which report to the SOM. The two committees include: 1) the Committee for Trade and Investment (CTI) and 2) the Economic Committee. The Office of the U.S. Trade Representative plays the lead role for the United States on the Committee for Trade and Investment. The U.S. Treasury and State Departments provide the U.S. lead on the Economic Committee.

APEC Activities in the SPS Area

It was not until 1995 that APEC members agreed to address agricultural trade. Japanese sensitivities in this area, which still exist to some extent, were the cause of this delay. Nonetheless, a group of Agricultural Technical Experts was formed in 1995 to discuss cooperation in areas such as

biotechnology, quarantine and pest management, technology transfer, and others.

The institutional arrangements for managing agricultural issues among the APEC members remain unclear. The group of Agricultural Technical Experts may or may not evolve into a formal working group. However, it is evident from the initial meetings of the Agricultural Technical Experts Group that APEC members recognize the importance of agriculture to their national economies. Most members support the idea of an ongoing forum within the APEC framework to exchange views on agricultural issues, including SPS matters.

SPS Area

At the first meeting of this newly formed APEC group of Agricultural Technical Experts, held in June 1995 in Taipei, members agreed to develop work plans in six areas of technical cooperation:

1. exchange of plant and animal germplasm
2. research, development and extension of biotechnology (Australia led)
3. marketing and processing of agricultural products
4. plant and animal quarantine and pest management (U.S. led)
5. cooperative development of agricultural finance systems
6. technology transfer and agricultural technical training.

The United States was assigned the lead in developing a workplan for fostering greater cooperation in the plant and animal quarantine and pest management area. While the workplan is still under development, APEC members have indicated strong interest in joint activities which: 1) foster greater

understanding of and compliance with our WTO-SPS obligations and principles (including risk assessment and regionalization), 2) foster a greater understanding of general standard setting procedures at the OIE and IPPC, 3) increase technical cooperation to improve regulatory capabilities such as risk assessment, and 4) improve the flow of regulatory and technical information among APEC member countries.

Snapshot of U.S.-Pacific Rim Agricultural Trade

Nearly 61 percent of total U.S. agricultural exports went to APEC members in 1995. Sales increased by 23 percent from the previous year surging to \$33 billion. Asia is currently experiencing some of the highest economic growth rates compared to other parts of the world. This growth, expected to continue through the rest of the decade, is expected to continue raising incomes in the region, and this, in turn, increases the demand for imports, including higher value U.S. agricultural products (e.g., fresh/frozen meat, fruit, and vegetables).

The combination of large populations (particularly China), rising incomes, westernization of diets, and implementation of WTO commitments (reduction of tariffs and non-tariffs barriers) is expected to make the Asia-Pacific region a significant market for U.S. farm exports. In addition, China and Taiwan are both currently seeking accession to the WTO, thereby further supporting the course of agricultural trade liberalization in the region.

It should be noted that part of the reason why the APEC group represents such a large share of U.S. exports is that APEC includes the United States' three largest trading partners--Japan, Canada, and Mexico. Excluding Mexico and Canada, for a moment, allows us to get a more focussed picture of the significance of

Pacific Rim trade. Excluding trade with Mexico and Canada, the United States exports a total of \$23.5 billion to the countries in the Pacific Rim (approximately 43 percent of total U.S. exports).

Among the Pacific Rim countries, the leading importers of U.S. agricultural products include Japan, South Korea, Taiwan, China, and Hong Kong. Each of these countries import over \$1 billion in U.S. agricultural goods. The top three importers of U.S. animal and plant products (i.e., live animals, fruit, vegetables, and grain) are Japan, Canada, and South Korea. See Annex B for more detailed information on the value and ranking of trade with each of the APEC Members.

A 1996 USDA study estimates that SPS barriers in the Asia-Pacific region (i.e., East Asia plus Oceania) have an estimated trade impact of \$1.27 billion. Most of these SPS constraints are in the phytosanitary area (i.e., affecting U.S. plant commodities). The nature of these SPS barriers include such things as delays associated with the conduct of necessary risk assessments, imposition of zero-tolerance standards, redundant and unjustified testing requirements, non-acceptance of pest free certifications, and excessive treatment (fumigation) requirements. It should be noted that many of these quarantine requirements faced by U.S. exporters may, in fact, have a technically justified basis. Hence, until APHIS is fully engaged in assessing the SPS measure in question, it is uncertain whether U.S. agricultural trade is being unfairly treated by foreign counterparts. This highlights the need for the Department to ensure APHIS' technical review of SPS barrier issues before launching into informal or formal discussions on the issue with foreign officials.

APHIS' Pacific Rim Strategy

APHIS recognizes the countries in the

Pacific Rim region as strategically important agricultural markets. Providing effective support to Departmental trade expansion goals for this region, particularly leadership in resolving SPS barrier issues, will depend to a great extent on our ability to cultivate relationships with regulatory counterparts in the region. Generally, APHIS views relationship building as crucial for the following reasons:

Allows us to share U.S. regulatory views, positions, and approaches to various trade-related quarantine issues (including views on risk analysis methodologies and techniques).

Creates possibilities for developing common positions relative to future sanitary and phytosanitary standards (i.e., OIE and IPPC consistent standards).

Improves our general understanding of our respective regulatory processes and fosters better technical cooperation and understanding on issues ranging from biotechnology, health certification procedures, environmental, and quarantine issues as they relate to trade between the United States and Asia-Pacific countries.

Establishes a basis of technical credibility and personal rapport between regulatory officials, necessary for discussing and resolving technical trade irritants at the technical level and preventing their escalation into formal trade disputes. This is especially important in an area of the world that culturally places a high premium on relationships.

Generally, APHIS sees the need to foster the exchange of ideas with various regulatory authorities in different parts of the world. Such a strategy has been taken by the Agency over the past years with a smaller group of countries (e.g., quadrilateral group) or through bilateral discussions. The need exists to broaden our level of interaction with other

countries. The APEC creates a venue for such exchanges and relationship building.

APHIS' 6 Point Plan

The following are key points in the Agency's strategy for addressing technical trade issues in the Pacific-Rim:

1. **Continue to Cultivate Bilateral Relationships:** APHIS currently has bilateral meetings on a formal basis with Australia, New Zealand, Japan, People's Republic of China, Republic of Korea, and Taiwan. These bilateral meetings are primarily aimed at addressing agricultural trade issues through the negotiation of protocols for trade in plant and animal products. These bilateral meetings, usually occurring on an annual or bi-annual basis, are an important venue for raising high priority technical trade problems. The bilaterals rely on headquarter leadership and support from the Agency's attaches in these countries.

2. **Actively Support and Participate in APEC Activities:** APHIS' position is that a forum involving plant and animal health officials from the APEC countries would establish an important venue for a) networking, b) influencing APEC country thinking on important standard setting activities, and c) creating opportunities to strengthen two-way communication and credibility on animal and plant health issues affecting trade. Also, APEC provides an excellent forum for working simultaneously, in a potentially efficient fashion, with a number of target countries at once. It is crucial that we use APEC-sponsored workshops and seminars as forums for discussing current WTO, IPPC, and OIE topics. This will help facilitate alliances and develop common ground for important topics under discussion in these organizations.

3. **Emphasize use of APHIS Attaches in the Region:** APHIS representation in the region includes four field offices, Canberra, Australia; Beijing, People's

Republic of China; Seoul, Republic of Korea; and Tokyo, Japan. These offices are responsible for managing the entire spectrum of APHIS animal and plant health issues. The most prominent issues involve agricultural trade. This involves supporting ongoing discussions relative to protocols for trade in fruits, vegetables, horticultural products, seeds, grains, live animals, animal genetics, and animal products. Other APHIS overseas functions include monitoring or surveying foreign disease or pest conditions, monitoring or supervising in-country pre-clearance operations, representing USDA at regional and international meetings, providing technical expertise on animal and plant quarantine issues, and meeting with government counterparts and international organizations to discuss a variety of animal and plant health issues affecting trade.

APHIS will continue to monitor activity in the region to evaluate the staffing and office needs of the region. It is important that we recognize cultural norms in the region and take this into account as we make our staffing plans. For example, in this region it often takes months or years of cultivating personal relationships before real business breakthroughs can occur.

4. **Participate in Regional Organizations:** The regional OIE and plant protection organizations offer additional partnership opportunities. Currently, APHIS has observer status in the Asia-Pacific Plant Protection Convention (APPPC). Similarly, there are other strictly regional organizations such as the South Pacific Commission and Association of Southeast Asian Nations in which the United States is not a member but can participate as an observer.

5. **Provide Leadership in International Standard-Setting Activities:** There are a number of forums through which international standards are developed. APHIS personnel act as U.S. delegates

to such organizations including the International Office of Epizootics (OIE) and the International Plant Protection Convention (IPPC). In the Asia-Pacific region, APHIS personnel participate in the regional OIE activities and have, as indicated above, official observer status in the APPPC. APHIS will continue to work with these organizations and all their regional affiliates as well as participate actively in World Trade Organization (WTO) SPS Committee activities.

6. **Provide Technical Assistance:** Technical assistance would help strengthen APHIS foreign relationships, ensure harmonized approaches, and create goodwill that may help in resolving trade problems as they emerge. To this end, APHIS sponsors, supports, and actively participates in workshops and meetings in the region. These serve as a forum for the exchange of information on international standards setting activities, WTO-SPS obligations, quarantine systems, risk analysis, and other regulatory issues. Such workshops and informational exchanges help promote harmonized regulatory approaches and systems. APHIS may also wish to consider offering technical assistance to APEC member countries to develop an electronic capability to post their proposed and final regulations on the INTERNET.

Annex: Key APHIS Contacts

APHIS Contacts for Asia-Pacific Issues

John Greifer,

acting Director,

Trade Support Team

Tel: 202-720-7677

Rob Tanaka,

Regional Officer,

Asia and the Pacific Region.

Coordinates agency activities for the region.

Bob Spaide,

Director,

Phytosanitary Issues Management Team (PIMT).

Manages agency Phytosanitary issues and negotiations.

Gary Colgrove

Director,

National Center for Import and Export (NCIE).

Manages agency animal health trade issues.

John Payne,

Director,

Biotechnology Biologics and Environmental Protection (BBEP).

Manages agency's biotechnology programs.

Ralph Iwamoto

Attache, in Tokyo, Japan.

Manages agency's overseas activities for Japan and Taiwan

John Thaw

Assistant Director, PIMT.

Coordinates Phytosanitary issues and negotiations for Asia.

Bob Kahrs,

Chief Negotiator, NCIE.

Manages agency animal health trade issues and negotiations.

Quentin Kubicek, (BBEP).

Coordinates agency biotech trade issues.

Craig Fedchok,

TST Policy Analyst for Asia.

Ray Miyamoto

Attache in Beijing, People's Republic of China (PRC).

Manages agency overseas activities for PRC, Hong Kong, Vietnam and other Asian countries.